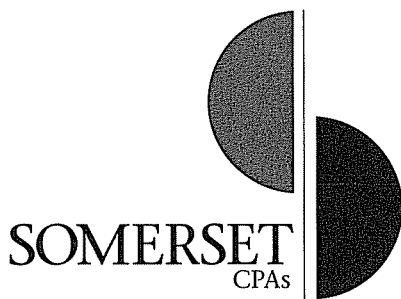


**INDIANA BASIC PROPERTY INSURANCE  
UNDERWRITING ASSOCIATION  
Financial Statements  
Years Ended September 30, 2005 and 2004**

**INDIANA BASIC PROPERTY INSURANCE  
UNDERWRITING ASSOCIATION**

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## Independent Auditors' Report

### To the Governing Committee and Members INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION

We have audited the accompanying statements of admitted assets, liabilities, and members' equity of INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION as of September 30, 2005 and 2004, and the related statements of income and accumulated equity (deficit), and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly we express no such opinions. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A to the financial statements, the Association's policy is to prepare its financial statements on the basis of accounting practices permitted by the Indiana Department of Insurance, which practices differ from generally accepted accounting principles. The effects on the financial statements of the variances between statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION as of September 30, 2005 and 2004, and the results of income and accumulated equity (deficit), and its cash flows for the year then ended.

However, in our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the admitted assets, liabilities, and members' equity of INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION as of September 30, 2005 and 2004, and the results of its income and accumulated equity (deficit) and its cash flows for the years then ended, on the basis of accounting described in Note A.

*Somerset CPAs, P.C.*

November 4, 2005

Accounting  
Assurance  
Construction & A/E  
Dental  
Entrepreneurial

Health Care  
Information Solutions  
Litigation & Valuation  
Manufacturing & Distribution  
Not-for-Profit

Real Estate  
Tax  
Wealth Management

**INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION**  
**Statements of Admitted Assets, Liabilities and Members' Equity**  
**September 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
<b>Admitted Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,679,404	\$ 2,059,802
Premiums receivable	68,279	45,147
Other receivables - related party	0	2,117
Prepaid insurance	11,458	0
	<u>                    </u>	<u>                    </u>
Total Current Assets	<u><u>\$ 2,759,141</u></u>	<u><u>\$ 2,107,066</u></u>
<b>Liabilities and Members' Equity</b>		
Accounts payable and accrued expenses	\$ 60,309	\$ 64,872
Other payables - related party	84,977	0
Commissions payable	19,268	24,430
Reserve for unpaid losses	270,143	316,973
Reserve for unpaid loss adjustment expenses	18,194	10,600
Reserve for unearned premiums	1,326,211	1,487,804
Advance premiums and remittances not allocated	55,482	78,455
	<u>                    </u>	<u>                    </u>
Total Liabilities	<u><u>1,834,584</u></u>	<u><u>1,983,134</u></u>
<b>Members' Equity</b>		
Member contributions on open years	229,068	893,000
Reserve for nonadmitted assets	(3,394)	(5,280)
Accumulated equity (deficit)	698,883	(763,788)
	<u>                    </u>	<u>                    </u>
Total Members' Equity	<u><u>924,557</u></u>	<u><u>123,932</u></u>
	<u>                    </u>	<u>                    </u>
Total Liabilities and Members' Equity	<u><u>\$ 2,759,141</u></u>	<u><u>\$ 2,107,066</u></u>

See accompanying notes.

# INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION

## Statements of Income and Accumulated Equity (Deficit)

For the Years Ended September 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Underwriting Income:		
Premiums earned	\$ 3,205,504	\$ 2,806,799
Underwriting Expenses:		
Losses incurred	1,302,947	1,535,516
Loss adjustment expenses incurred	94,956	147,086
Other underwriting expenses:		
Commissions	304,800	310,583
Inspections and credit expense	81,046	115,993
Servicing fees	0	112,647
All other expenses	<u>651,890</u>	<u>571,001</u>
Total Other Underwriting Expenses	<u>1,037,736</u>	<u>1,110,224</u>
Total Underwriting Expenses	<u>2,435,639</u>	<u>2,792,826</u>
Underwriting Income	769,865	13,973
Investment Income	<u>28,873</u>	<u>16,815</u>
<b>Net Income</b>	<b>798,738</b>	<b>30,788</b>
<b>Accumulated Deficit, Beginning of Period</b>	(763,788)	(1,265,585)
Net Effect for Closing Out Accident Years	<u>663,933</u>	<u>471,009</u>
<b>Accumulated Equity (Deficit), End of Period</b>	<b><u>\$ 698,883</u></b>	<b><u>\$ (763,788)</u></b>

See accompanying notes.

# INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION

## Statements of Cash Flows

For the Years Ended September 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<b>Cash Flows from Operating Activities:</b>		
Premiums received	\$ 2,696,560	\$ 3,139,327
Losses and loss expenses paid	(1,364,654)	(1,904,698)
Cash paid for services and employees	(741,595)	(1,069,583)
Investment income	<u>30,067</u>	<u>16,815</u>
Net cash provided by operating activities	<u>620,378</u>	<u>181,861</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of equipment	<u>(776)</u>	<u>(2,267)</u>
Net cash used in investing activities	<u>(776)</u>	<u>(2,267)</u>
<b>Cash Flows from Financing Activities:</b>		
Cash received from member assessments	<u>0</u>	<u>26,778</u>
Net cash provided by financing activities	<u>0</u>	<u>26,778</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>619,602</b>	<b>206,372</b>
Beginning Cash and Cash Equivalents	<u>2,059,802</u>	<u>1,853,430</u>
<b>Ending Cash and Cash Equivalents</b>	<b><u>\$ 2,679,404</u></b>	<b><u>\$ 2,059,802</u></b>

### Reconciliation of Net Income to Net Cash Provided by Operating Activities

Net Income	\$ 798,738	\$ 30,788
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,661	2,343
(Increase) / decrease in receivables	(21,013)	97,929
(Increase) in prepaid insurance	(11,458)	0
Decrease in loss reserves	(39,236)	(222,096)
(Decrease) / increase in reserve for unearned premiums	(184,566)	343,258
(Decrease) / increase in other liabilities	<u>75,252</u>	<u>(70,361)</u>
Net cash provided by operating activities	<u>\$ 620,378</u>	<u>\$ 181,861</u>

See accompanying notes.

**INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION**  
**Notes to Financial Statements**  
**September 30, 2005 and 2004**

**Note A - Nature of Operations and Summary of Significant Accounting Policies:**

**Principal Activity**

The Indiana Basic Property Insurance Underwriting Association (FAIR Plan) is a voluntary association of insurance companies writing habitational and commercial property coverages in Indiana. The purpose of the FAIR Plan is to make available property insurance coverage for qualifying property located in Indiana. Applicants must show they have been denied coverage by three different insurance companies in the thirty day period preceding their submission of an application to the FAIR Plan. The business of the FAIR Plan is managed by a governing committee representing various segments of property insurers.

Costs to provide the property insurance, including claims, operating expenses and losses, are funded by premiums paid by policyholders and assessments made against member insurance companies.

**General**

The FAIR Plan's financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Indiana Department of Insurance. Prescribed statutory accounting practices include a variety of publications of the National Association of Insurance Commissioners (NAIC), as well as state laws, regulations, and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed.

**Premium and Other Receivables**

The FAIR Plan carries its premium receivable at invoiced amounts less an allowance for doubtful accounts. On a periodic basis, the FAIR Plan evaluates its premium receivable and establishes an allowance for doubtful accounts, based on history of past write-offs and collections and current credit conditions. Management has established an allowance for doubtful accounts of \$17,000 and \$9,000 as of September 30, 2005 and 2004, respectively.

The FAIR Plan's policy is not to accrue interest on past due trade receivables. Receivables amounted to \$68,279 and \$47,264 at September 30, 2005 and 2004, respectively.

**Nonadmitted Assets**

Statement of Statutory Accounting Principles requires that assets having economic value other than those which can be used to fulfill policyholder obligations, or those assets which are unavailable due to encumbrances or other third party interest should not be recognized on the Statement of Admitted Assets, Liabilities and Members' Equity, and are, therefore, considered nonadmitted.

Furniture and equipment are carried at cost and includes expenditures for new additions and those, which substantially increase the useful lives of existing assets. Depreciation is computed at various rates by use of the straight-line method. Depreciable lives are as follows:

Furniture and equipment	3 to 10 years
-------------------------	---------------

**INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION**  
**Notes to Financial Statements**  
**September 30, 2005 and 2004**

**Note A - Nature of Operations and Summary of Significant Accounting Policies (Continued):**

**Nonadmitted Assets (Continued)**

Expenditures for normal repairs and maintenance are charged to operations as incurred. The cost of furniture or equipment retired or otherwise disposed of and the related accumulated depreciation are removed from the accounts in the year of disposal with the resulting gain or loss reflected in earnings or in the cost of the replacement asset.

Depreciation expense amounted to \$2,661 and \$2,343 for the years ended September 30, 2005 and 2004, respectively.

**Income Taxes**

The FAIR Plan is organized as a syndicate and has elected to report income tax information as a partnership.

**Cash Flows**

For purposes of the Statements of Cash Flows, the FAIR Plan considers all highly liquid instruments that are purchased within three months or less of the instruments' maturity date to be cash equivalents.

**Use of Estimates**

The preparation of financial statements in conformity with other comprehensive basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Note B - Pension Plan:**

The FAIR Plan participated in a defined contribution plan. Contributions amounted to \$12,226 and \$7,806 for the years ended September 30, 2005 and 2004, respectively. This pension plan was terminated on July 15, 2005 as part of the July 1, 2005, reorganization (see Note C).



**INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION**  
**Notes to Financial Statements**  
**September 30, 2005 and 2004**

**Note C - Related Party Transactions:**

The FAIR Plan reimburses the Indiana Insurance Guaranty Association (IIGA) for costs incurred by the FAIR Plan for office expenses, rent, and personnel salaries and benefits. IIGA and the FAIR Plan share office space, along with the Indiana Life and Health Insurance Guaranty Association (ILHIGA). Rental costs are allocated among the IIGA, ILHIGA and FAIR Plan based on square footage used by each organization. Office expenses attributable to the FAIR Plan are tracked and FAIR Plan pays the costs incurred on its behalf. Personnel salaries and benefits are reimbursed to IIGA by FAIR Plan generally based on the amount of time individual IIGA employees spend working on FAIR Plan projects, with personnel costs of some management staff allocated based on a formula approved by the FAIR Plan Governing Committee. In addition, prior to July 1, 2005, FAIR Plan paid four employees salaries and benefits directly. Effective July 1, 2005 the FAIR Plan employees became employees of IIGA and their personnel and salary expenses are now part of the IIGA reimbursement process. Such salary and benefit costs paid to IIGA amounted to \$291,464 and \$201,897 for the years ended September 30, 2005 and 2004, respectively.

Prior to July 1, 2005, the Indiana Automobile Insurance Plan (Auto Plan) reimbursed the FAIR Plan for the Auto Plan's share of common expenses paid by the FAIR Plan. The outstanding balance due to the FAIR Plan was \$0 and \$2,117 at September 30, 2005 and 2004, respectively.

**Note D - Lease Commitments:**

As part of an agreement with IIGA, the FAIR Plan has agreed in the sharing of office rent. The lease for office space expired in September 2005. IIGA signed a seven year lease for space in the suite adjacent to the former space effective October 1, 2005. The FAIR Plan's estimated share of future lease payments is as follows:

<u><b>Year Ending September 30,</b></u>	
2006	\$ 32,192
2007	32,192
2008	33,214
2009	33,725
Years After	<u>104,240</u>
	<u><u>\$ 235,563</u></u>

**Note E - Concentration of Credit Risk:**

The FAIR Plan's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The FAIR Plan places its cash and equivalents with high credit quality institutions. At times, such amounts may be in excess of the FDIC insured limit. The FAIR Plan routinely assesses the financial strength of its members and, as a consequence, believes that its accounts receivable credit risk exposure is limited.

**INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION**  
**Notes to Financial Statements**  
**September 30, 2005 and 2004**

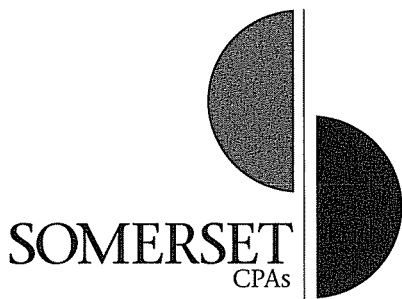
**Note F - Member Assessments:**

The FAIR Plan closed loss year September 30, 2002 during the year ended September 30, 2005.

**Note G - Liability for Unpaid Claims:**

Activity in the liability for unpaid claims is summarized as follows at September 30:

	<u><b>2005</b></u>	<u><b>2004</b></u>
Balance Beginning of Year	\$ 316,973	\$ 533,941
Incurred Related to:		
Current year	1,319,528	921,409
Prior years	<u>(16,581)</u>	<u>614,107</u>
Total Incurred	1,302,947	1,535,516
Paid Related to:		
Current year	1,061,379	1,261,636
Prior years	<u>288,128</u>	<u>490,848</u>
Total Paid	<u>1,349,507</u>	<u>1,752,484</u>
Balance at September 30	<u><u>\$ 270,413</u></u>	<u><u>\$ 316,973</u></u>



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## Independent Auditors' Report

### To the Governing Committee and Members INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION

The data included in the following schedules, although not considered necessary for fair presentation of financial position, results of operations and changes in financial position in accordance with accounting principles permitted by the Indiana Department of Insurance, are presented for supplementary analysis purposes.

The information included therein has been subjected to the audit procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Somerset CPAs, P.C.*

November 4, 2005

Accounting  
Assurance  
Construction & A/E  
Dental  
Entrepreneurial

Health Care  
Information Solutions  
Litigation & Valuation  
Manufacturing & Distribution  
Not-for-Profit

Real Estate  
Tax  
Wealth Management

# INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION

## Accident Periods

**Years Ended September 30, 2003 through 2005**

	<u>Fire</u>	<u>Extended Coverage</u>	<u>General Liability</u>	<u>Theft</u>	<u>Total</u>
<b>Habitational:</b>					
Premiums written	\$ 6,058,954	\$ 1,830,838	\$ 165,549	\$ 106,747	\$ 8,162,088
Unearned premium - beginning	2,324,235	687,578	67,227	77,379	3,156,419
Unearned premium - ending	<u>(2,755,143)</u>	<u>(808,831)</u>	<u>(78,187)</u>	<u>(81,177)</u>	<u>(3,723,338)</u>
Premiums Earned	<u>5,628,046</u>	<u>1,709,585</u>	<u>154,589</u>	<u>102,949</u>	<u>7,595,169</u>
Losses paid	2,874,857	641,798	85,335	2,000	3,603,990
Reserve for unpaid losses September 30, 2005	<u>93,577</u>	<u>18,820</u>	<u>0</u>	<u>0</u>	<u>112,397</u>
Losses incurred	<u>2,968,434</u>	<u>660,618</u>	<u>85,335</u>	<u>2,000</u>	<u>3,716,387</u>
Loss adjustment expense	<u>196,964</u>	<u>98,517</u>	<u>6,137</u>	<u>2,519</u>	<u>304,137</u>
Other underwriting expenses:					
Commissions	588,014	182,903	16,499	10,083	797,499
Inspections and credit	210,704	64,880	5,838	3,460	284,882
Servicing fees	149,525	45,112	4,064	2,505	201,206
All other expenses	<u>1,138,767</u>	<u>355,253</u>	<u>32,044</u>	<u>19,511</u>	<u>1,545,575</u>
	<u>2,087,010</u>	<u>648,148</u>	<u>58,445</u>	<u>35,559</u>	<u>2,829,162</u>
Total underwriting expenses	<u>5,252,408</u>	<u>1,407,283</u>	<u>149,917</u>	<u>40,078</u>	<u>6,849,686</u>
Underwriting gain	<u>375,638</u>	<u>302,302</u>	<u>4,672</u>	<u>62,871</u>	<u>745,483</u>
Investment income	<u>39,540</u>	<u>12,441</u>	<u>1,122</u>	<u>677</u>	<u>53,780</u>
Income habitational	<u>415,178</u>	<u>314,743</u>	<u>5,794</u>	<u>63,548</u>	<u>799,263</u>
<b>Commercial:</b>					
Premiums written	562,431	79,314	0	0	641,745
Unearned premium - beginning	281,513	38,548	0	0	320,061
Unearned premium - ending	<u>(266,315)</u>	<u>(37,061)</u>	<u>0</u>	<u>0</u>	<u>(303,376)</u>
Premiums Earned	<u>577,629</u>	<u>80,801</u>	<u>0</u>	<u>0</u>	<u>658,430</u>
Losses paid	307,248	10,168	0	0	317,416
Reserve for unpaid losses September 30, 2005	<u>157,746</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>157,746</u>
Losses Incurred	<u>464,994</u>	<u>10,168</u>	<u>0</u>	<u>0</u>	<u>475,162</u>
Loss adjustment expense	<u>20,605</u>	<u>4,419</u>	<u>0</u>	<u>0</u>	<u>25,024</u>
Other Underwriting Expenses:					
Commissions	65,117	8,899	0	0	74,016
Inspections and credit	23,762	3,257	0	0	27,019
Servicing fees	17,590	2,442	0	0	20,032
All other expenses	<u>125,313</u>	<u>17,095</u>	<u>0</u>	<u>0</u>	<u>142,408</u>
	<u>231,782</u>	<u>31,693</u>	<u>0</u>	<u>0</u>	<u>263,475</u>
Total Underwriting Expenses	<u>717,381</u>	<u>46,280</u>	<u>0</u>	<u>0</u>	<u>763,661</u>
Underwriting gain (loss)	<u>(139,752)</u>	<u>34,521</u>	<u>0</u>	<u>0</u>	<u>(105,231)</u>
Investment income	<u>4,271</u>	<u>580</u>	<u>0</u>	<u>0</u>	<u>4,851</u>
Income (loss) commercial	<u>(135,481)</u>	<u>35,101</u>	<u>0</u>	<u>0</u>	<u>(100,380)</u>
<b>Net Income</b>	<u>\$ 279,697</u>	<u>\$ 349,844</u>	<u>\$ 5,794</u>	<u>\$ 63,548</u>	<u>\$ 698,883</u>

See auditors' report on supplementary information.

# INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION

## Accident Periods Year Ended September 30, 2005

	Fire	Extended Coverage	General Liability	Theft	Total
<b>Habitational:</b>					
Premiums written	\$ 2,149,110	\$ 644,385	\$ 56,048	\$ 33,279	\$ 2,882,822
Unearned premium - beginning	1,013,571	309,519	29,458	22,367	1,374,915
Unearned premium - ending	(940,916)	(276,847)	(24,378)	(13,962)	(1,256,103)
Premiums earned	2,221,765	677,057	61,128	41,684	3,001,634
Losses paid	980,704	(36,542)	85,335	2,000	1,031,497
Reserve for unpaid losses September 30, 2005	81,583	18,820	0	0	100,403
Losses incurred	1,062,287	(17,722)	85,335	2,000	1,131,900
Loss adjustment expense	57,641	25,578	2,339	467	86,025
Other underwriting expenses:					
Commissions	205,509	67,049	6,021	3,284	281,863
Inspections and credit	54,645	17,828	1,601	873	74,947
Servicing fees	0	0	0	0	0
All other expenses	439,531	143,401	12,877	7,025	602,834
	699,685	228,278	20,499	11,182	959,644
Total underwriting expenses	1,819,613	236,134	108,173	13,649	2,177,569
Underwriting gain (loss)	402,152	440,923	(47,045)	28,035	824,065
Investment income	19,468	6,351	570	311	26,700
Income (loss) habitational	421,620	447,274	(46,475)	28,346	850,765
<b>Commercial:</b>					
Premiums written	138,972	22,117	0	0	161,089
Unearned premium - beginning	100,530	12,359	0	0	112,889
Unearned premium - ending	(60,877)	(9,231)	0	0	(70,108)
Premiums earned	178,625	25,245	0	0	203,870
Losses paid	30,166	(284)	0	0	29,882
Reserve for unpaid losses September 30, 2005	157,746	0	0	0	157,746
Losses Incurred	187,912	(284)	0	0	187,628
Loss adjustment expense	8,997	(66)	0	0	8,931
Other Underwriting Expenses:					
Commissions	20,278	2,659	0	0	22,937
Inspections and credit	5,392	707	0	0	6,099
Servicing fees	0	0	0	0	0
All other expenses	43,369	5,687	0	0	49,056
	69,039	9,053	0	0	78,092
Total Underwriting Expenses	265,948	8,703	0	0	274,651
Underwriting gain (loss)	(87,323)	16,542	0	0	(70,781)
Investment income	1,921	252	0	0	2,173
Income (loss) commercial	(85,402)	16,794	0	0	(68,608)
<b>Net Income (Loss)</b>	<b>\$ 336,218</b>	<b>\$ 464,068</b>	<b>\$ (46,475)</b>	<b>\$ 28,346</b>	<b>\$ 782,157</b>

See auditors' report in supplementary information.

# INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION

## Accident Periods Year Ended September 30, 2004

	Fire	Extended Coverage	General Liability	Theft	Total
<b>Habitational:</b>					
Premiums written	\$ 2,077,949	\$ 677,950	\$ 60,878	\$ 33,210	\$ 2,849,987
Unearned premium - beginning	800,656	222,465	24,351	44,848	1,092,320
Unearned premium - ending	(1,013,571)	(309,519)	(29,458)	(22,367)	(1,374,915)
Premiums Earned	1,865,034	590,896	55,771	55,691	2,567,392
Losses paid	451,926	381,701	0	0	833,627
Reserve for unpaid losses September 30, 2005	0	0	0	0	0
Losses incurred	451,926	381,701	0	0	833,627
Loss adjustment expense	79,415	55,773	2,333	1,835	139,356
Other underwriting expenses:					
Commissions	206,374	65,385	6,171	6,162	284,092
Inspections and credit	77,074	24,419	2,305	2,301	106,099
Servicing fees	74,851	23,715	2,238	2,235	103,039
All other expenses	379,413	120,209	11,346	11,329	522,297
	737,712	233,728	22,060	22,027	1,015,527
Total underwriting expenses	1,269,053	671,202	24,393	23,862	1,988,510
Underwriting gain (loss)	595,981	(80,306)	31,378	31,829	578,882
Investment income	11,172	3,540	334	334	15,380
Income (loss) habitational	607,153	(76,766)	31,712	32,163	594,262
<b>Commercial:</b>					
Premiums written	205,032	26,885	0	0	231,917
Unearned premium - beginning	104,908	15,471	0	0	120,379
Unearned premium - ending	(100,530)	(12,359)	0	0	(112,889)
Premiums Earned	209,410	29,997	0	0	239,407
Losses paid	133,109	459	0	0	133,568
Reserve for unpaid losses September 30, 2005	0	0	0	0	0
Losses Incurred	133,109	459	0	0	133,568
Loss adjustment expense	4,238	3,492	0	0	7,730
Other Underwriting Expenses:					
Commissions	23,172	3,319	0	0	26,491
Inspections and credit	8,654	1,240	0	0	9,894
Servicing fees	8,404	1,204	0	0	9,608
All other expenses	42,601	6,103	0	0	48,704
	82,831	11,866	0	0	94,697
Total Underwriting Expenses	220,178	15,817	0	0	235,995
Underwriting gain (loss)	(10,768)	14,180	0	0	3,412
Investment income	1,255	180	0	0	1,435
Income (loss) commercial	(9,513)	14,360	0	0	4,847
<b>Net Income (Loss)</b>	<b>\$ 597,640</b>	<b>\$ (62,406)</b>	<b>\$ 31,712</b>	<b>\$ 32,163</b>	<b>\$ 599,109</b>

See auditors' report on supplementary information.

# INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION

## Accident Periods

Year Ended September 30, 2003

	<u>Fire</u>	<u>Extended Coverage</u>	<u>General Liability</u>	<u>Theft</u>	<u>Total</u>
<b>Habitational:</b>					
Premiums written	\$ 1,831,895	\$ 508,503	\$ 48,623	\$ 40,258	\$ 2,429,279
Unearned premium - beginning	510,008	155,594	13,418	10,164	689,184
Unearned premium - ending	(800,656)	(222,465)	(24,351)	(44,848)	(1,092,320)
Premiums Earned	<u>1,541,247</u>	<u>441,632</u>	<u>37,690</u>	<u>5,574</u>	<u>2,026,143</u>
Losses paid	1,442,227	296,639	0	0	1,738,866
Reserve for unpaid losses September 30, 2005	<u>11,994</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,994</u>
Losses incurred	<u>1,454,221</u>	<u>296,639</u>	<u>0</u>	<u>0</u>	<u>1,750,860</u>
Loss adjustment expense	<u>59,908</u>	<u>17,166</u>	<u>1,465</u>	<u>217</u>	<u>78,756</u>
Other underwriting expenses:					
Commissions	176,131	50,469	4,307	637	231,544
Inspections and credit	78,985	22,633	1,932	286	103,836
Servicing fees	74,674	21,397	1,826	270	98,167
All other expenses	319,823	91,643	7,821	1,157	420,444
	<u>649,613</u>	<u>186,142</u>	<u>15,886</u>	<u>2,350</u>	<u>853,991</u>
Total underwriting expenses	<u>2,163,742</u>	<u>499,947</u>	<u>17,351</u>	<u>2,567</u>	<u>2,683,607</u>
Underwriting gain (loss)	<u>(622,495)</u>	<u>(58,315)</u>	<u>20,339</u>	<u>3,007</u>	<u>(657,464)</u>
Investment income	<u>8,900</u>	<u>2,550</u>	<u>218</u>	<u>32</u>	<u>11,700</u>
Income (loss) habitational	<u>(613,595)</u>	<u>(55,765)</u>	<u>20,557</u>	<u>3,039</u>	<u>(645,764)</u>
<b>Commercial:</b>					
Premiums written	218,427	30,312	0	0	248,739
Unearned premium - beginning	76,075	10,718	0	0	86,793
Unearned premium - ending	(104,908)	(15,471)	0	0	(120,379)
Premiums Earned	<u>189,594</u>	<u>25,559</u>	<u>0</u>	<u>0</u>	<u>215,153</u>
Losses paid	143,973	9,993	0	0	153,966
Reserve for unpaid losses September 30, 2005	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Losses Incurred	<u>143,973</u>	<u>9,993</u>	<u>0</u>	<u>0</u>	<u>153,966</u>
Loss adjustment expense	<u>7,370</u>	<u>993</u>	<u>0</u>	<u>0</u>	<u>8,363</u>
Other Underwriting Expenses:					
Commissions	21,667	2,921	0	0	24,588
Inspections and credit	9,716	1,310	0	0	11,026
Servicing fees	9,186	1,238	0	0	10,424
All other expenses	39,343	5,305	0	0	44,648
	<u>79,912</u>	<u>10,774</u>	<u>0</u>	<u>0</u>	<u>90,686</u>
Total Underwriting Expenses	<u>231,255</u>	<u>21,760</u>	<u>0</u>	<u>0</u>	<u>253,015</u>
Underwriting gain (loss)	<u>(41,661)</u>	<u>3,799</u>	<u>0</u>	<u>0</u>	<u>(37,862)</u>
Investment income	<u>1,095</u>	<u>148</u>	<u>0</u>	<u>0</u>	<u>1,243</u>
Income (loss) commercial	<u>(40,566)</u>	<u>3,947</u>	<u>0</u>	<u>0</u>	<u>(36,619)</u>
<b>Net Income (Loss)</b>	<u>\$ (654,161)</u>	<u>\$ (51,818)</u>	<u>\$ 20,557</u>	<u>\$ 3,039</u>	<u>\$ (682,383)</u>

See auditors' report on supplementary information.